Please replace the paragraph beginning at page 2, line 3, with the following rewritten paragraph.

This application is a divisional of application serial no. 09/562,648, filed May 1, 2000 entitled "An Improved Compression and Decompression System with Reversible Wavelets and Lossy Reconstruction," which is a continuation of Application Serial No. 08/940,831, filed September 30, 1997 entitled "Compression and Decompression System with Reversible Wavelets and Lossy Reconstruction" which is a continuation-in-part of application serial no. 08/643,268, entitled "Compression/Decompression Using Reversible Embedded Wavelets", filed May 3, 1996, which is a continuation-in-part of application serial No. 08/498,036, entitled "Reversible Wavelet Transform and Embedded Codestream Manipulation," filed June 30, 1995, which is a continuation-in-part of application serial no. 08/310,146, entitled "Apparatus for Compression Using Reversible Embedded Wavelets, filed on September 20, 1994 and assigned to the corporate assignee of the present invention.

IN THE CLAIMS

Please cancel Claims 1-27.

<u>REMARKS</u>

Please enter the foregoing amendments prior to examining the present application. The present application is a continuation application, as indicated in the caption.

Claims 1-27 have been canceled.

Respectfully submitted,

BLAKELY, SOKOLOFF, TAYLOR & ZAFMAN LLP

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